

NYE-DT 47

Energy

Apache +15% in two days after "game-changer" oil discovery

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- After surging nearly 7% yesterday, Apache (NYSE:[APA](#)) added another 7% in today's trade following news of its [major discovery](#) in an overlooked corner of west Texas' Delaware Basin that could hold up to 3B barrels of oil and 75T cf of natural gas.
- APA says it methodically pieced together 307K contiguous acres in the area over two years and spent ~\$1,300/acre on average, while drillers have spent \$40K/acre or more this year trying to amass assets in the rest of the red-hot Permian Basin.
- But analysts say it is [unclear](#) how many barrels APA actually will be able to recover, as hydraulic fracturing typically generates 6%-12% of the total oil and gas in the ground, at least on the first attempt; "It's a significant discovery for Apache, but let's not read that 3B barrels of oil are coming out of the ground," says IHS Markit's Hassan Eltorie. "It's a challenge to make this work economically."
- APA says its nine active wells in the Alpine High area are producing only limited amounts for now, because the area is short on infrastructure to process and transport oil and gas, so "there's a tremendous amount of work above ground and below ground to actually make the economics work," says Wood Mackenzie's Benjamin Shattuck, but if APA can overcome the challenges, "[it's a game-changer](#)."
- "This is a giant onion that is going to take us years to peel back and it's a story that's going to get bigger and better as it's told later," CEO John Christmann says.